

**STRATFORD
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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STRATFORD COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2006 Election)

Cheryl Lindmark	President	2007
Tricia Rose		2008
Mark Anderson		2006
Eric McGlynn		2008
Nicole McFarland		2007

(After September, 2006 Election)

Tricia Rose	President	2008
Eric McGlynn		2008
Cheryl Lindmark		2007
Lee Gripp		2009
Nicole McFarland		2007

SCHOOL OFFICIALS

Sarah Binder	Superintendent
Linda Swedlund	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 25 years of Expertise and Experience
- Evenings & Saturdays Available
- Extended Hours During Tax Season

To The Board of Education of
Stratford Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Stratford Community School District, Stratford, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

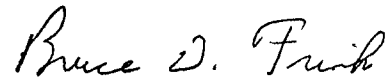
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Stratford Community School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2008 on our consideration of Stratford Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stratford Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Bruce D. Frink".

BRUCE D. FRINK
Certified Public Accountant

January 23, 2008

STRATFORD COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Stratford Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$1,894,057 in fiscal year 2006 to \$1,887,931 in fiscal year 2007 (virtually no change), while General Fund expenditures increased from \$1,789,538 in fiscal year 2006 to \$1,903,417 in fiscal year 2007 (a seven percent increase).
- General Fund local tax revenues decreased, however, it was offset by increased tuition revenues. The increase in expenditures was due primarily to an increase in instructional costs, primarily salaries and benefits. The General Fund balance decreased by 29% primarily due to the increase in expenses.
- An increase in interest rates, during the past fiscal year, resulted in an increase in interest earnings in the General Fund.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Stratford Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Stratford Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Stratford Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Stratford Community School District Annual Financial Report

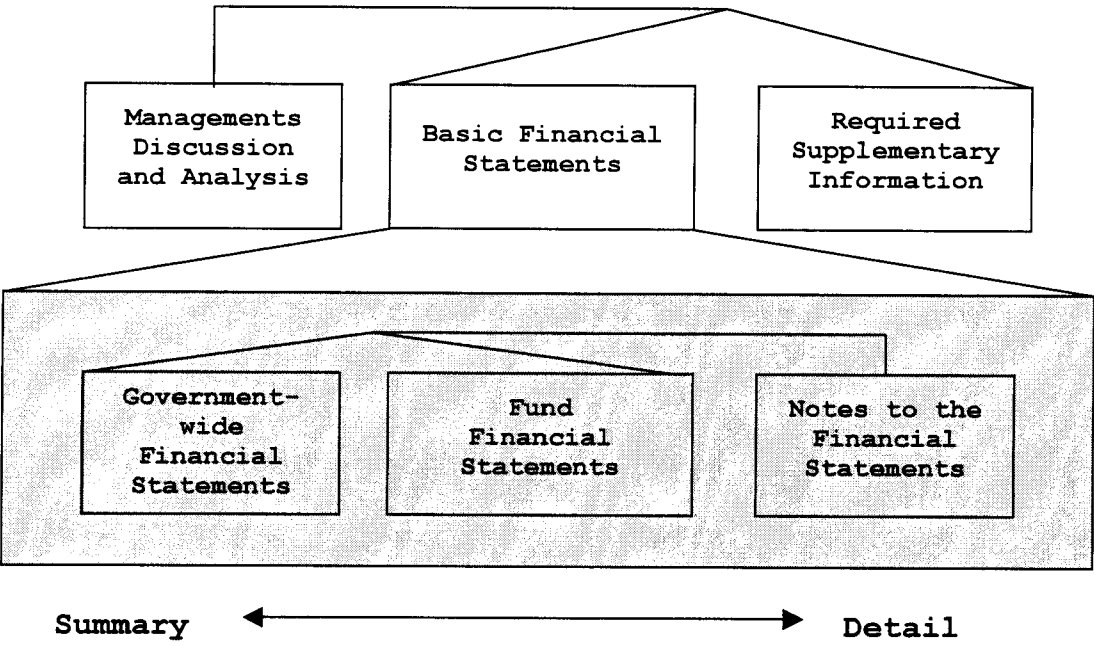


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service
Required financial statements	<ul style="list-style-type: none"> . Statement of Net Assets . Statement of Activities 	<ul style="list-style-type: none"> . Balance sheet . Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> . Statement of Net Assets . Statement of Revenues, Expenses and Changes in Net Assets . Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Child Care Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a statement of revenues, expenses, changes in net assets and a Statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	2007	2006	2007	2006	2007	2006	2006-2007
	\$	\$	\$	\$	\$	\$	%
Current assets	1,853	1,885	115	105	1,968	1,990	-1.12%
Capital assets	1,590	1,529	4	5	1,594	1,534	3.76%
Total assets	<u>3,443</u>	<u>3,414</u>	<u>119</u>	<u>110</u>	<u>3,562</u>	<u>3,524</u>	<u>1.07%</u>
Current liabilities	791	812	-	-	791	812	-2.65%
Non-current liabilities	1,040	1,040	-	-	1,040	1,040	0.00%
Total liabilities	<u>1,831</u>	<u>1,852</u>	<u>-</u>	<u>-</u>	<u>1,831</u>	<u>1,852</u>	<u>-1.15%</u>
Net Assets							
Invested in capital assets, net of related debt	550	489	5	5	555	494	10.99%
Restricted	332	359	-	-	332	359	-8.13%
Unrestricted	730	714	114	105	844	819	2.96%
Total net assets	<u>1,612</u>	<u>1,562</u>	<u>119</u>	<u>110</u>	<u>1,731</u>	<u>1,672</u>	<u>3.41%</u>

Capital assets increased due to the purchase of two buses. Restricted assets decreased as a result of these purchases. The General Fund decreased slightly from the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4
Change in Net Assets
(Expressed in Thousands)

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	2007	2006	2007	2006	2007	2006	2006-2007
	\$	\$	\$	\$	\$	\$	
Revenues:							
Program revenues:							
Charges for service and sales	126	92	58	55	184	147	25.17%
Operating grants, contributions and restricted interest	268	414	63	47	331	461	-28.20%
General revenues:							
Property tax	739	723	-	-	739	723	2.21%
Income surtax	103	97	-	-	103	97	6.19%
Local option sales tax	127	116	-	-	127	116	9.48%
Unrestricted state grants	892	928	-	-	892	928	-3.88%
Unrestricted investment earnings	22	13	-	-	22	13	69.23%
Other	7	34	-	-	7	34	-79.41%
Total revenues	<u>2,284</u>	<u>2,417</u>	<u>121</u>	<u>102</u>	<u>2,405</u>	<u>2,519</u>	<u>-4.53%</u>
Program expenses:							
Governmental activities:							
Instruction	1,387	1,291	-	-	1,387	1,291	7.44%
Support Services	494	467	-	-	494	467	5.78%
Non-instructional programs	20	10	111	100	131	110	19.09%
Other expenses	258	333	-	-	258	333	-22.52%
Total expenses	<u>2,159</u>	<u>2,101</u>	<u>111</u>	<u>100</u>	<u>2,270</u>	<u>2,201</u>	<u>3.13%</u>
Change in net assets	<u>125</u>	<u>316</u>	<u>10</u>	<u>2</u>	<u>135</u>	<u>318</u>	<u>-57.55%</u>

Property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 83% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$2,252,738 and expenses were \$2,295,309.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-2007	2007	2006	Change 2006-2007
	\$	\$		\$	\$	
Instruction	1,387	1,291	7.44%	1,090	1,046	4.21%
Support Services	494	467	5.78%	476	461	3.25%
Non-instructional programs	20	10	100.00%	20	10	100.00%
Other expenses	<u>258</u>	<u>333</u>	<u>-22.52%</u>	<u>178</u>	<u>78</u>	<u>128.21%</u>
Totals	<u>2,159</u>	<u>2,101</u>	<u>2.76%</u>	<u>1,764</u>	<u>1,595</u>	<u>10.60%</u>

- The cost financed by users of the District's programs was \$125,958.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$166,339.
- The net cost of governmental activities was financed with \$739,174 in property tax, \$891,585 in state foundation aid, and \$21,859 in interest income.

Business Type Activities

Revenues of the District's business type activities were \$121,080 and expenses were \$111,450. The District's business type activities include the School Nutrition and Day Care Funds. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted Stratford Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,687,786, an eight percent increase over last year's ending fund balances of \$1,562,392. Depreciation expenses totaled over \$56,000. Increases in the Capital Projects Fund and fixed asset purchases accounted for the largest part of the increase.

Governmental Fund Highlights

- The District maintained its General Fund balance by monitoring expenses from portions of the budget. Revenues were basically unchanged.
- The District continues to collect the School Infrastructure Local Option Sales Tax. It is being used for infrastructure projects and property tax relief.
- The District purchased two buses in order to keep its fleet up to date.

Proprietary Fund Highlights

The School Nutrition Fund balance increased due a capital infusion from the General Fund. The Day Care Fund grew 6% due to contributions and grant activity.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 35 and 36.

Legal Budgetary Highlights

The District's receipts were over \$110,000 more than budgeted receipts, a variance of 5%. The variance resulted from the District receiving less in state and federal aid than originally anticipated, but miscellaneous revenues from tuition and other sources exceeded budgeted amounts.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$1.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 4% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$56,045.

The original cost of the District's capital assets was \$2,366,545. Governmental funds account for \$2,357,568, with the remainder of \$8,977 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental		Businesstype		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
	\$	\$	\$	\$	\$	\$	
Land	5	5	-	-	5	5	0.00%
Buildings	1,467	1,501	-	-	1,467	1,501	-2.27%
Furniture and equipment	118	23	4	5	122	28	335.71%
Totals	<u>1,590</u>	<u>1,529</u>	<u>4</u>	<u>5</u>	<u>1,594</u>	<u>1,534</u>	<u>3.91%</u>

Long-Term Debt

At June 30, 2007, the District had \$965,000 in general obligation, long-term debt outstanding. This represents a decrease of approximately 7% from last year (See Figure A-7). Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total		Total
	District		Change
	June 30,		June 30,
	2007	2006	2006-2007
	\$	\$	
General obligation bonds	965	1,040	-7.21%
Total	965	1,040	-7.21%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The SILO tax is being collected from all counties. This money will be used for infrastructure projects and property tax relief.
- The District experienced an increase of 2.2 resident students. Actual students served in the District increased by 9.0 students due to an increase in open enrolled students into the district.
- Allowable growth of 4% is inadequate to fund existing programs without dipping into existing reserves.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Health insurance continues to be a very costly item to the District. Even though concessions have been made by employees in regard to deductibles, and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sarah Binder, Superintendent, Stratford Community School District, 1000 Shakespeare Ave, Stratford, IA 50249.

Basic Financial Statements

STRATFORD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	942,170	114,848	1,057,018
Receivables:			
Property tax			
Current year	11,939	-	11,939
Succeeding year	783,611	-	783,611
Income surtax	87,761	-	87,761
Due from other governments	27,737	-	27,737
Inventories	-	658	658
Capital assets, net of accumulated depreciation (note 3)	1,590,258	3,888	1,594,146
Total assets	<u>3,443,476</u>	<u>119,394</u>	<u>3,562,870</u>
Liabilities			
Accounts payable	3,237	-	3,237
Accrued interest payable	3,842	-	3,842
Deferred revenue:			
Succeeding year property tax	783,611	-	783,611
Long term liabilities:			
Portion due within one year:			
General obligation bonds	75,000	-	75,000
Portion due after one year:			
General obligation bonds	890,000	-	890,000
Total liabilities	<u>1,755,690</u>	<u>-</u>	<u>1,755,690</u>
Net Assets			
Invested in capital assets, net of related debt	625,258	3,888	629,146
Restricted for:			
Management fund	78,556		78,556
Physical plant and equipment levy	100,068	-	100,068
Capital projects	153,579	-	153,579
Unrestricted	730,325	115,506	845,831
Total net assets	<u>1,687,786</u>	<u>119,394</u>	<u>1,807,180</u>

See notes to financial statements.

STRATFORD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues				Governmental Activities	Business Type Activities	Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest				
	\$	\$	\$	\$	\$	\$	\$
Functions/Programs							
Governmental activities:							
Instruction	1,387,086	123,825	172,980	(1,090,281)	-	(1,090,281)	
Support services:							
Student services	1,542	-	-	(1,542)	-	(1,542)	
Instructional staff services	11,363	-	-	(11,363)	-	(11,363)	
Administration services	172,388	-	-	(172,388)	-	(172,388)	
Operation and maintenance of plant services	150,189	-	13,368	(136,821)	-	(136,821)	
Transportation services	158,245	2,133	2,038	(154,074)	-	(154,074)	
	493,727	2,133	15,406	(476,188)	-	(476,188)	
Non-instructional programs	20,000	-	-	(20,000)	-	(20,000)	
Other expenditures:							
Facilities acquisition	98,578	-	3,500	(95,078)	-	(95,078)	
Interest on long-term debt	49,199	-	592	(48,607)	-	(48,607)	
Long-term debt services	150	-	-	(150)	-	(150)	
AEA flowthrough	75,959	-	75,959	-	-	-	
Depreciation (unallocated)*	34,270	-	-	(34,270)	-	(34,270)	
	258,156	-	80,051	(178,105)	-	(178,105)	
Total governmental activities	2,158,969	125,958	268,437	(1,764,574)	-	(1,764,574)	

STRATFORD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues		Governmental Activities	Business Type Activities	Total
	Expenses	Charges for Service			
	\$	\$	\$	\$	\$
Business type activities:					
Non-instructional programs	111,450	58,428	-	9,630	9,630
Total	2,270,419	184,386	(1,764,574)	9,630	(1,754,944)
General revenues:					
Property tax levied for:					
General purposes			524,883	-	524,883
Management Fund			36,997	-	36,997
Capital outlay			52,824	-	52,824
Debt service			124,470	-	124,470
Income surtax			103,139	-	103,139
School Infrastructure Local Option Sales Tax			127,133	-	127,133
Unrestricted state grants			891,585	-	891,585
Unrestricted investment earnings			21,859	-	21,859
Other			7,078	-	7,078
Total general revenue			1,889,968	-	1,889,968
Change in net assets			125,394	9,630	135,024
Net assets beginning of year			1,562,392	109,764	1,672,156
Net assets end of year			1,687,786	119,394	1,807,180

* This amount excludes the depreciation that is included in the direct expense of the various programs.
See notes to financial statements.

STRATFORD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2007

Total fund balances of governmental funds (Exhibit C)	\$ 978,609
Amounts reported for governmental activities in the statement of net assets are different because:	
Income surtax receivable at June 30, 2007 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	87,761
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,590,258
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(3,842)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
General obligation bonds	<u>(965,000)</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 1,687,786</u>

See notes to financial statements.

STRATFORD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2007

	General	Debt Service	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	596,394	124,470	127,133	52,824	36,997	937,818
Tuition	122,493	-	-	-	-	122,493
Other	35,320	500	3,500	6,958	12,266	58,544
State sources	1,073,996	92	-	39	28	1,074,155
Federal sources	59,728	-	-	-	-	59,728
Total revenues	1,887,931	125,062	130,633	59,821	49,291	2,252,738
Expenditures:						
Instruction:	1,371,993	-	-	8,774	6,319	1,387,086
Support services:						
Student services	1,542	-	-	-	-	1,542
Instructional staff services	11,363	-	-	-	-	11,363
Administration services	172,388	-	-	-	-	172,388
Operation and maintenance of plant services	121,120	-	-	-	29,069	150,189
Transportation services	129,052	-	-	119,004	5,518	253,574
	435,465	-	-	119,004	34,587	589,056
Non-instructional programs:						
Food service operations	20,000	-	-	-	-	20,000

STRATFORD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2007

	General	Debt Service	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Other expenditures:						
Facilities acquisition and construction services	-	-	86,909	11,669	-	98,578
Principal on long-term debt	-	75,000	-	-	-	75,000
Interest on long-term debt	-	49,480	-	-	-	49,480
Long-term debt services	-	150	-	-	-	150
AEA flowthrough	75,959	-	-	-	-	75,959
	<u>75,959</u>	<u>124,630</u>	<u>86,909</u>	<u>11,669</u>	<u>-</u>	<u>299,167</u>
Total expenditures	<u>1,903,417</u>	<u>124,630</u>	<u>86,909</u>	<u>139,447</u>	<u>40,906</u>	<u>2,295,309</u>
Net change in fund balances	(15,486)	432	43,724	(79,626)	8,385	(42,571)
Fund balances beginning of year	<u>652,785</u>	<u>2,436</u>	<u>109,855</u>	<u>179,694</u>	<u>76,410</u>	<u>1,021,180</u>
Fund balances end of year	<u>637,299</u>	<u>2,868</u>	<u>153,579</u>	<u>100,068</u>	<u>84,795</u>	<u>978,609</u>

STRATFORD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2007

Net change in fund balances - total governmental funds (Exhibit E) \$ (42,571)

**Amounts reported for governmental activities in the
statement of activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities 31,625

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 117,104	
Depreciation expense	<u>(56,045)</u>	61,059

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 75,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is reported as an expenditure in the funds when due. In the Statement of Activities, interest expense is recorded as the interest accrues, regardless of when it is due. 281

Change in net assets of governmental activities (Exhibit B) \$ 125,394

STRATFORD COMMUNITY SCHOOL DISTRICT

Combining Statement of Net Assets
Proprietary Funds

June 30, 2007

	School Nutrition	Day Care	Total
	\$	\$	
Assets			
Cash and pooled investments	8,062	106,786	114,848
Inventories	658	-	658
Capital assets, net of accumulated depreciation	3,888	-	3,888
Total assets	<u>12,608</u>	<u>106,786</u>	<u>119,394</u>
Net assets			
Invested in capital assets, net of related debt	3,888	-	3,888
Unrestricted	8,720	106,786	115,506
Total net assets	<u>12,608</u>	<u>106,786</u>	<u>119,394</u>

See notes to financial statements.

STRATFORD COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2007

	School Nutrition	Day Care	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for services	<u>31,793</u>	<u>26,635</u>	<u>58,428</u>
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	25,575	-	25,575
Benefits	8,670	-	8,670
Services	633	-	633
Supplies	35,062	-	35,062
Depreciation	<u>748</u>	<u>-</u>	<u>748</u>
	<u>70,688</u>	<u>-</u>	<u>70,688</u>
Other enterprise operations:			
Salaries	-	30,574	30,574
Benefits	-	3,841	3,841
Supplies	<u>-</u>	<u>6,347</u>	<u>6,347</u>
	<u>-</u>	<u>40,762</u>	<u>40,762</u>
Total operating expenses	<u>70,688</u>	<u>40,762</u>	<u>111,450</u>
Operating (loss)	<u>(38,895)</u>	<u>(14,127)</u>	<u>(53,022)</u>
Non-operating revenues:			
Local sources	500	15,000	15,500
Capital contributions	20,000	-	20,000
State sources	660	5,000	5,660
Federal sources	<u>21,492</u>	<u>-</u>	<u>21,492</u>
	<u>42,652</u>	<u>20,000</u>	<u>62,652</u>
Change in net assets	3,757	5,873	9,630
Net assets beginning of year	<u>8,851</u>	<u>100,913</u>	<u>109,764</u>
Net assets end of year	<u><u>12,608</u></u>	<u><u>106,786</u></u>	<u><u>119,394</u></u>

See notes to financial statements.

STRATFORD COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2007

	School Nutrition	Community Education	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of services	31,793	26,635	58,428
Cash payments to employees for services	(34,245)	(34,415)	(68,660)
Cash payments to suppliers for goods or services	(30,959)	(6,347)	(37,306)
Net cash provided by (used in) operating activities	(33,411)	(14,127)	(47,538)
Cash flows from non-capital financing activities:			
Contributions	-	15,000	15,000
State grants received	660	-	660
Federal grants received	16,575	-	16,575
Net cash provided by non-capital financing activities	17,235	15,000	32,235
Cash flows from capital financing activities:			
Capital contribution from General Fund	20,000	-	20,000
Cash flows from investing activities:			
Interest on investments	500	5,000	5,500
Net increase (decrease) in cash and cash equivalents	4,324	5,873	10,197
Cash and cash equivalents beginning of year	3,738	100,913	104,651
Cash and cash equivalents end of year	8,062	106,786	114,848
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	(38,895)	(14,127)	(53,022)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:			
Depreciation	748	-	748
Commodities used	4,917	-	4,917
(Increase) in inventory	(181)	-	(181)
	(33,411)	(14,127)	(47,538)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:			
Current assets:			
Cash	8,062	106,786	114,848

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received federal commodities valued at \$4,917.

See notes to financial statements.

STRATFORD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

Stratford Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Stratford, Iowa, and agricultural area in Boone, Hamilton, and Webster Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Stratford Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Stratford Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hamilton County Assessor's Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Physical Plant and Equipment Levy is used for the acquisition of capital assets (over \$500) and the maintenance and purchase of land improvements and facilities.

The Capital Projects Fund is used to account for funds raised by the one cent School Infrastructure Local Option Sales Tax. These funds are being used for debt retirement and infrastructure expenses.

The District reports the following major proprietary funds:

The District's proprietary funds are the Day Care and School Nutrition Fund. These funds are used to account for the food service operations of the District as well as a daycare facility.

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due from Other Governments - Due from other governments represents amounts from the State of Iowa, various hared revenue, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures did not exceed the amounts budgeted in any of the four functions.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2007.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	5,000	-	-	5,000
Capital assets being depreciated:				
Buildings	2,110,498	-	-	2,110,498
Furniture and Equipment	168,524	117,104	43,558	242,070
Total capital assets being depreciated	2,279,022	117,104	43,558	2,352,568
Less accumulated depreciation for:				
Buildings	608,870	34,270	-	643,140
Furniture and Equipment	145,953	21,775	43,558	124,170
Total accumulated depreciation	754,823	56,045	43,558	767,310
Total capital assets being depreciated, net	1,524,199	61,059	-	1,585,258
Governmental activities, capital assets, net	1,529,199	61,059	-	1,590,258

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$

Business type activities:

Furniture and equipment	8,977	-	-	8,977
Less accumulated depreciation	4,341	748	-	5,089
Business type activities capital assets, net	<u>4,636</u>	<u>(748)</u>	<u>-</u>	<u>3,888</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Transportation	21,775
Unallocated	<u>34,270</u>
	<u>56,045</u>

Business Type activities:

Food service operations	<u>748</u>
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(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$49,191, \$45,697, and \$41,617 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$75,959 for year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) Risk Management

Stratford Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u> %	<u>Interest</u> \$	<u>Principal</u> \$	<u>Total</u> \$
2008	4.50	46,105	75,000	121,105
2009	4.60	42,730	80,000	122,730
2010	4.70	39,050	85,000	124,050
2011	4.70	35,055	90,000	125,055
2012	4.80	30,825	90,000	120,825
2013	4.80	26,505	95,000	121,505
2014	4.80	21,945	105,000	126,945
2015	4.90	16,905	110,000	126,905
2016	4.90	11,515	115,000	126,515
2017	4.90	5,880	120,000	125,880
Total		<u>276,515</u>	<u>965,000</u>	<u>1,241,515</u>

(8) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

	<u>General Obligation Bonds</u>
Balance beginning of year	\$1,040,000
Additions	-
Reductions	<u>75,000</u>
Balance end of year	<u>\$ 965,000</u>

Required Supplementary Information

STRATFORD COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance - Positive (Negative)
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,118,855	93,928	1,212,783	1,044,895	1,044,895	167,888
State sources	1,074,155	5,660	1,079,815	1,119,899	1,119,899	(40,084)
Federal sources	59,728	21,492	81,220	98,000	98,000	(16,780)
Total revenues	<u>2,252,738</u>	<u>121,080</u>	<u>2,373,818</u>	<u>2,262,794</u>	<u>2,262,794</u>	<u>111,024</u>
Expenditures:						
Instruction	1,387,086	-	1,387,086	1,792,436	1,792,436	405,350
Support services	589,056	-	589,056	754,342	754,342	165,286
Non-instructional programs	20,000	111,450	131,450	245,797	245,797	114,347
Other expenditures	299,167	-	299,167	425,681	425,681	126,514
Total expenditures	<u>2,295,309</u>	<u>111,450</u>	<u>2,406,759</u>	<u>3,218,256</u>	<u>3,218,256</u>	<u>811,497</u>
Excess (deficiency) of revenues over (under) expenditures	(42,571)	9,630	(32,941)	(955,462)	(955,462)	922,521
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(42,571)	9,630	(32,941)	(955,462)	(955,462)	922,521
Balance beginning of year	<u>1,021,180</u>	<u>109,764</u>	<u>1,130,944</u>	<u>955,462</u>	<u>955,462</u>	<u>175,482</u>
Balance end of year	<u>978,609</u>	<u>119,394</u>	<u>1,098,003</u>	<u>-</u>	<u>-</u>	<u>1,098,003</u>

See accompanying independent auditor's report.

STRATFORD COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

STRATFORD COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2007

	Management Levy	Student Activity	Total
	\$	\$	\$
Assets			
Cash and pooled investments	77,956	6,239	84,195
Property tax receivable:			
Current year	600	-	600
Succeeding year	40,000	-	40,000
Total assets	<u>118,556</u>	<u>6,239</u>	<u>124,795</u>
Liabilities and Fund Balance			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	40,000	-	40,000
	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Fund balance:			
Unreserved fund balance	78,556	6,239	84,795
	<u>78,556</u>	<u>6,239</u>	<u>84,795</u>
Total liabilities and fund balance	<u>118,556</u>	<u>6,239</u>	<u>124,795</u>

See accompanying independent auditor's report.

STRATFORD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2007

	Management Levy	Student Activity	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	36,997	-	36,997
Other	6,343	5,923	12,266
State sources	28	-	28
Total revenues	<u>43,368</u>	<u>5,923</u>	<u>49,291</u>
Expenditures:			
Instruction	-	6,319	6,319
Support services:			
Plant operation and maintenance	29,069	-	29,069
Student transportation	5,518	-	5,518
Total expenditures	<u>34,587</u>	<u>6,319</u>	<u>40,906</u>
Excess (deficiency) of revenues over (under) expenditures	8,781	(396)	8,385
Fund balances beginning of year	<u>69,775</u>	<u>6,635</u>	<u>76,410</u>
Fund balances end of year	<u><u>78,556</u></u>	<u><u>6,239</u></u>	<u><u>84,795</u></u>

See accompanying independent auditor's report.

STRATFORD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Balance End of Year \$
Book Club	361	422	422	361
Annuals	2,078	30	-	2,108
Miscellaneous	969	4,467	4,875	561
Music	116	797	933	(20)
PO	97	-	-	97
Library	701	16	1	716
Extra activities	2,313	191	88	2,416
Totals	<u>6,635</u>	<u>5,923</u>	<u>6,319</u>	<u>6,239</u>

See accompanying independent auditor's report.

STRATFORD COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	937,818	936,353	843,902	826,900
Tuition	122,493	90,181	45,413	50,833
Other	58,544	244,763	66,143	35,060
State sources	1,074,155	1,071,636	964,485	804,756
Federal sources	59,728	70,315	49,073	52,880
Total	<u>2,252,738</u>	<u>2,413,248</u>	<u>1,969,016</u>	<u>1,770,429</u>
Expenditures:				
Instruction	1,387,086	1,291,538	1,204,437	1,004,085
Support services:				
Student	1,542	7,739	7,239	8,171
Instructional staff	11,363	9,074	13,239	10,871
Administration	172,388	160,063	147,002	185,224
Operation and maintenance of plant	150,189	160,882	146,667	126,804
Transportation	253,574	123,764	107,691	88,935
Non-instructional programs	20,000	10,000	20,875	2,205
Other expenditures:				
Facilities acquisition	98,578	252,857	174,086	19,481
Debt service:				
Principal	75,000	70,000	65,000	65,000
Interest and services	49,630	53,980	57,580	61,480
AEA flowthrough	75,959	73,288	65,464	61,314
Total	<u>2,295,309</u>	<u>2,213,185</u>	<u>2,009,280</u>	<u>1,633,570</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 25 years of Expertise and Experience
- Evenings & Saturdays Available
- Extended Hours During Tax Season

To the Board of Education of the
Stratford Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Stratford Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 23, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Stratford Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Stratford Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Stratford Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Stratford Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Stratford Community School District's financial statements that is more than inconsequential will not be prevented or detected by Stratford Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 07-I-A is a material weakness.

Compliance and Other Matters

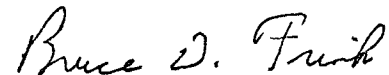
As part of obtaining reasonable assurance about whether Stratford Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Stratford Community School District's response to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Stratford Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Stratford Community School District and other parties to whom Stratford Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Stratford Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

January 23, 2008

STRATFORD COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

07-I-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted the duties of the individual include: 1) preparation of checks, signing of checks, recording the transactions in the journals, and reconciling the bank; 2) receiving cash receipts, preparing the receipt, making up the bank deposit, and recording the transaction in the journals.

Recommendation - We realize that with a limited number of administrative employees, segregation of duties to eliminate incompatible duties is difficult. We also realize the job description, as defined by the Code of Iowa, of certain members of the administrative staff make the segregations even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will investigate alternative procedures which will improve our system of internal controls.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

07-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2007.

07-II-B Certified Budget - Expenditures for the year ended June 30, 2007, did not exceed the certified budget amounts in any of the four functions.

07-II-C Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

07-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

STRATFORD COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

- 07-II-E Business Transactions - No business transactions between the District and District officials or were noted.
- 07-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 07-II-G Board Minutes - No items requiring Board approval which had not been approved by the Board were noted.
- 07-II-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 07-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education and we noted no significant deficiencies in the amounts reported.
- 07-II-J Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.